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annual report



1961





BOEING 1961 ANNUAL REPORT

CONTENTS

	<i>page</i>
Highlights	2
Review of the Year	3
Financial Review	5
Missiles and Space	9
Military Aircraft	12
Commercial Aircraft	15
Helicopters	17
Other Programs	18
Research	20
Looking to the Future	23
Five Year Comparative Data	24
Financial Statements	26
Accountants' Report	30
Officers and Directors	31

Annual meeting of Boeing stockholders will be held at the offices of the company, Seattle, Washington, on May 1, 1962. Formal notice of the meeting, the proxy statement and form of proxy will be sent to stockholders about April 2.

HIGHLIGHTS

Operating Summary


	1961	1960
Sales	\$1,800,910,000	\$1,554,573,000
Earnings before taxes on income	73,861,000	51,762,000
Taxes on income	38,200,000	27,300,000
Net earnings	35,661,000	24,462,000
Dividends paid	13,549,000	9,053,000
Net earnings per share	\$4.47	\$3.07
Dividends per share	1.70	1.14
Per cent earnings before taxes on income to sales	4.10%	3.33%
Per cent taxes on income to sales	2.12%	1.76%
Per cent net earnings to sales	1.98%	1.57%

Position at Year End

Working capital	\$ 179,353,000	\$ 200,070,000
Ratio of current assets to current liabilities	1.68 to 1	1.87 to 1
Stockholders' investment	259,388,000	236,993,000
Number of shares outstanding	7,982,430	7,971,647
Stockholders' equity per share	32.49	29.73
Backlog	1,869,000,000	2,139,000,000

General Information

Total wages and salaries	\$ 628,713,000	\$ 556,060,000
Average number of employees	88,200	81,900
Gross additions to property, plant, and equipment	26,770,000	17,414,000



Review of the Year

TO THE STOCKHOLDERS:

There was improvement in the year 1961 over the previous year for The Boeing Company and its owners—the stockholders. While sales were somewhat higher than in 1960, earnings increased substantially. The quarterly dividend rate was increased from 40 cents to 50 cents a share in the fourth quarter of the year.

During 1961 sales were \$1,800,910,000, compared with \$1,554,573,000 for the previous year. Net earnings were \$35,661,000, equivalent to \$4.47 per share, compared with \$24,462,000 or \$3.07 per share for 1960.

A most satisfying achievement during 1961 was winning of the Saturn S-1C contract. It marked the first major award from NASA—the National Aeronautics and Space Administration—the government agency charged with responsibility for the peaceful exploration and use of space.

The company's other major space-type project—the Air Force Dyna-Soar manned space glider—is now receiving increased emphasis. The importance of Dyna-Soar lies in the fact that it is the first vehicle designed with the capability of going into orbit, being controlled operationally in the atmosphere and returning to a landing on the earth.

Progress on the Minuteman—Intercontinental Ballistic Missile—program was on schedule during the year. Highly successful test firings from underground silos at Cape Canaveral were achieved, base installation work progressed rapidly at Montana sites, and the Ogden, Utah, assembly plant is approaching operational status. Minuteman is a major program and it is expected that it will remain such for a number of years.

Despite a generally adverse year for the airlines, the company received a substantial number of additional orders for 707, 720 and 727 commercial jet transports during 1961. Purchases were made by five new customer airlines, while 11 airlines placed repeat orders.

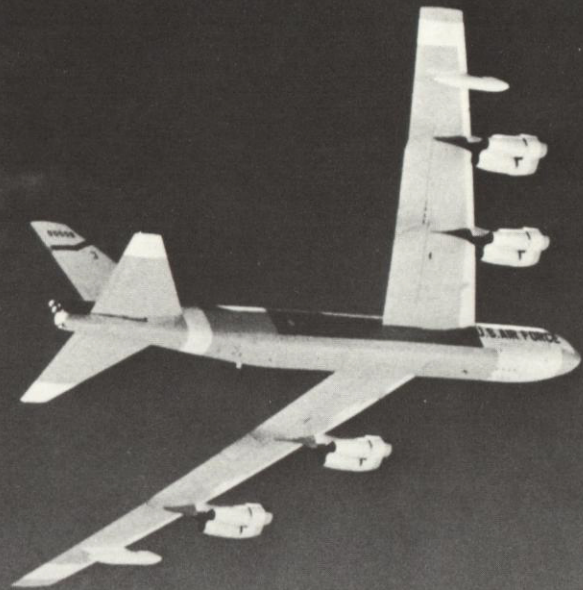
During the year 80 commercial jets were delivered, bringing total deliveries to 255 with 199 still on order. Since their introduction into airline service, Boeing jet transports have carried more than 22 million passengers and have flown 542,000,000 miles.

Firm orders for 117 three-engine, short-range 727 jet transports have been received. Deliveries of 727s will commence toward the end of 1963.

The KC-135 jet tanker continued as one of the company's most successful military aircraft programs. In addition, the Military Aircraft Transport Service (MATS) ordered 45 C-135 troop transports and a C-137B for the use of high government officials.

The B-52 and Bomarc pilotless aircraft will contribute substantially to sales in 1962. Present military budgeting does not provide for continuation of these programs and both are expected to phase out of production by year end. However, by reason of increased effort in other programs, with particular reference to Minuteman and Saturn S-1C, it is expected that sales in 1963 and 1964 will continue at a relatively high level.

An important step during 1961 was the formation of the new Military Aircraft Systems Division. It combines the former Wichita Division with certain elements of the Aero-Space Division



The Strategic Air Command's B-52s are familiar to the free world as a force prepared to hit back at aggression anywhere

located in Seattle which had been working on the design of advanced military aircraft. The company believes that the defense of the country requires manned aircraft of advanced sophistication and capability. Since its inception the new MAS Division has devoted its major effort to performance of the B-52 contracts and toward a competition for an advanced combined-services weapons system known as the TFX.

The Vertol Division is introducing two new products—the twin-turbine-powered 107 medium helicopter for commercial and military use and the Chinook heavy assault military aircraft.

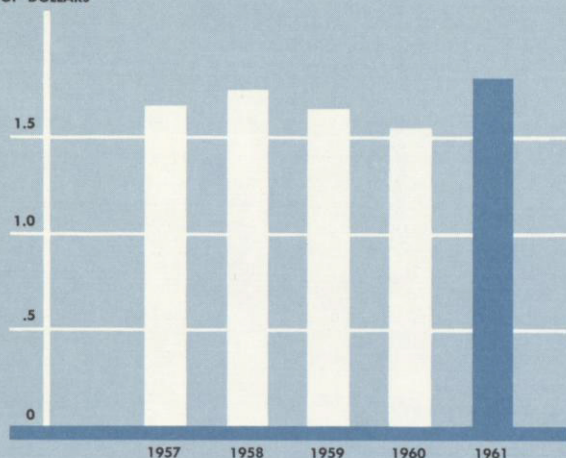
In order to maintain its position of leader-

ship, the company will make substantial additional expenditures for facilities during the coming years. Over the past 10 years facilities expenditures have totaled more than 180 million dollars, putting the company in a position to perform work and research in areas unknown 10 years ago.

Since the last annual report three directors have retired from the Board of Directors under the Board's retirement policy. They are J. E. Schaefer, Fred P. Laudan and Darrah Corbet. Four new board members have been elected. They are Willis Campbell, George H. Weyerhaeuser, D. E. Skinner and James E. Prince.

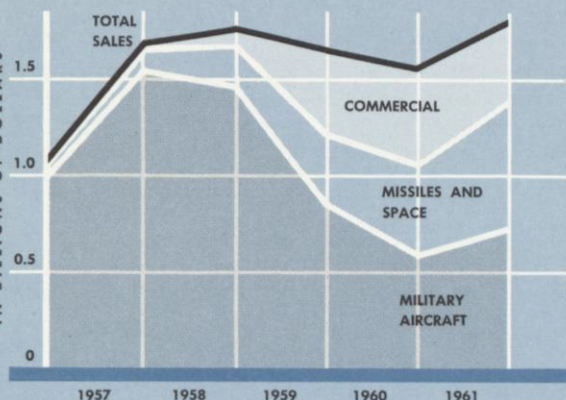
Sales

IN BILLIONS OF DOLLARS



Sales By Product Line

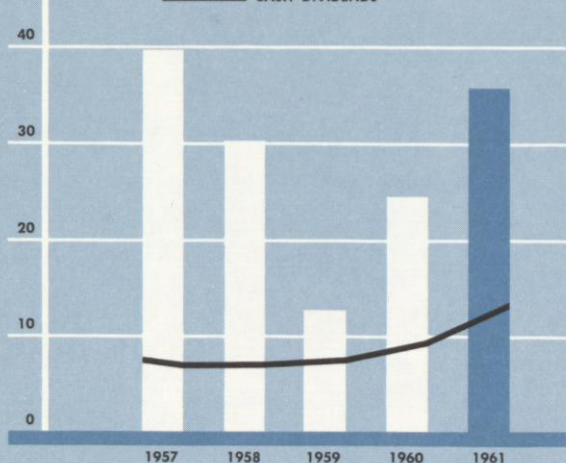
IN BILLIONS OF DOLLARS



Net Earnings and Cash Dividends

IN MILLIONS OF DOLLARS

NET EARNINGS
CASH DIVIDENDS



Financial Review

Sales-\$1,800,910,000

Sales revenues rose during the year to \$1,800,910,000, reflecting a high level of deliveries under fixed-price military contracts on the B-52, Bomarc, and KC-135 and on the commercial jet transport 707 and 720 programs. In addition, the Minuteman and Dyna-Soar programs, performed during 1961 under cost-plus-a-fixed fee contracts, made significant contributions to sales revenues. Sales in 1961 were the highest of any year in the history of the company. Sales in 1960 were \$1,554,573,000.

The phasing in of new programs in new product fields as programs in more traditional fields phase out, together with continued penetration of the commercial aircraft market, reflects the progress made by the company during recent years toward a broad diversification of its product line among an increasing number of customers.

Recent contract awards have further diversified the company's list of products and customers. Design, developmental, and sales efforts currently underway concern still other products and new government and commercial customers.

Earnings-\$35,661,000

	1961	1960
Net earnings . . .	\$35,661,000	\$24,462,000
Profit margin . . .	1.98%	1.57%
Earnings per share .	\$4.47	\$3.07

Continuation of favorable cost and sales trends on the 707 and 720 programs resulted in further recovery of prior years' losses on the 707-720 programs. The demonstrated capabilities



in airline service of these aircraft justify confidence in continued sales and the potential for the over-all profitability of these programs.

The Model 727 transport and Model 107 helicopter programs, now in their developmental and initial production phases, gave rise to substantial developmental and other costs which were charged against earnings during the year. It is expected that this category of costs will continue at a relatively high level in 1962.

**Plant and Equipment-
\$213,616,000-at cost**

The company's investment in plant and equipment, at original cost, rose \$24,876,000 during 1961 and the provision for depreciation and amortization totaled \$20,636,000 for the year. The net investment in facilities at the year end was \$86,183,000.

Of particular importance were the construction and acquisition in the Seattle-Renton area of new laboratories, engineering offices, and test facilities. Under construction at present are major office, laboratory, test, and production facilities for the Aero-Space and Transport Divisions in the Seattle area and new plant and office buildings in the Philadelphia area for the Vertol Division.

The substantial investment in facilities over the years has provided integrated, modern facilities for the performance of production and developmental work in the new market areas in which the company is now engaged. We foresee continued and increased demands for expansion and modernization of our physical plant. Financing of this activity will place a heavy demand

upon funds generated by operations in 1962 and future years.

Working Capital-\$179,353,000

It is believed that the flow of funds from the company's operations will be adequate for the execution of the company's programs for 1962 and the foreseeable future. While fluctuations in receivables and inventories may require short-term borrowings, established lines of credit with commercial banks are considered more than sufficient for such purposes.

Working capital at the year end was down \$20,717,000 from approximately \$200,070,000 at the end of 1960. Factors involved in the reduction were increased investments in notes receivable maturing beyond one year and in leased aircraft and the repurchase of approximately \$5,900,000 of the 5% Sinking Fund Debentures which are held in the Treasury.

The company is currently leasing jet transport aircraft to four airlines. While the \$31,946,000 depreciated book value of these aircraft represents a substantial investment of corporate funds, all but one of the aircraft are leased for relatively short periods. It is expected that on expiration of present leases the aircraft will either be sold or leased for additional periods.

Long-term notes from airline customers have increased during the year to \$25,280,000. A substantial portion of notes held by the company is from foreign airlines and represents the company's normally required participation in financing provided by the Export-Import Bank.

Funds Statement

1957-1961

IN MILLIONS
OF DOLLARS

PER CENT OF TOTAL

SOURCES OF FUNDS

143	Net earnings
91	Depreciation and amortization of plant and equipment
72	Other — including sale of debentures and capital stock

306 Total

APPLICATIONS OF FUNDS

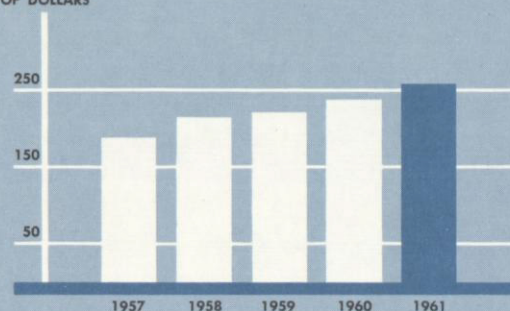
127	Gross additions to property, plant, and equipment
32	Leased aircraft
25	Long-term notes receivable
78	Additions to working capital
44	Cash dividends paid

306 Total



Stockholders' Investment

IN MILLIONS
OF DOLLARS



Backlog—\$1,869,000,000

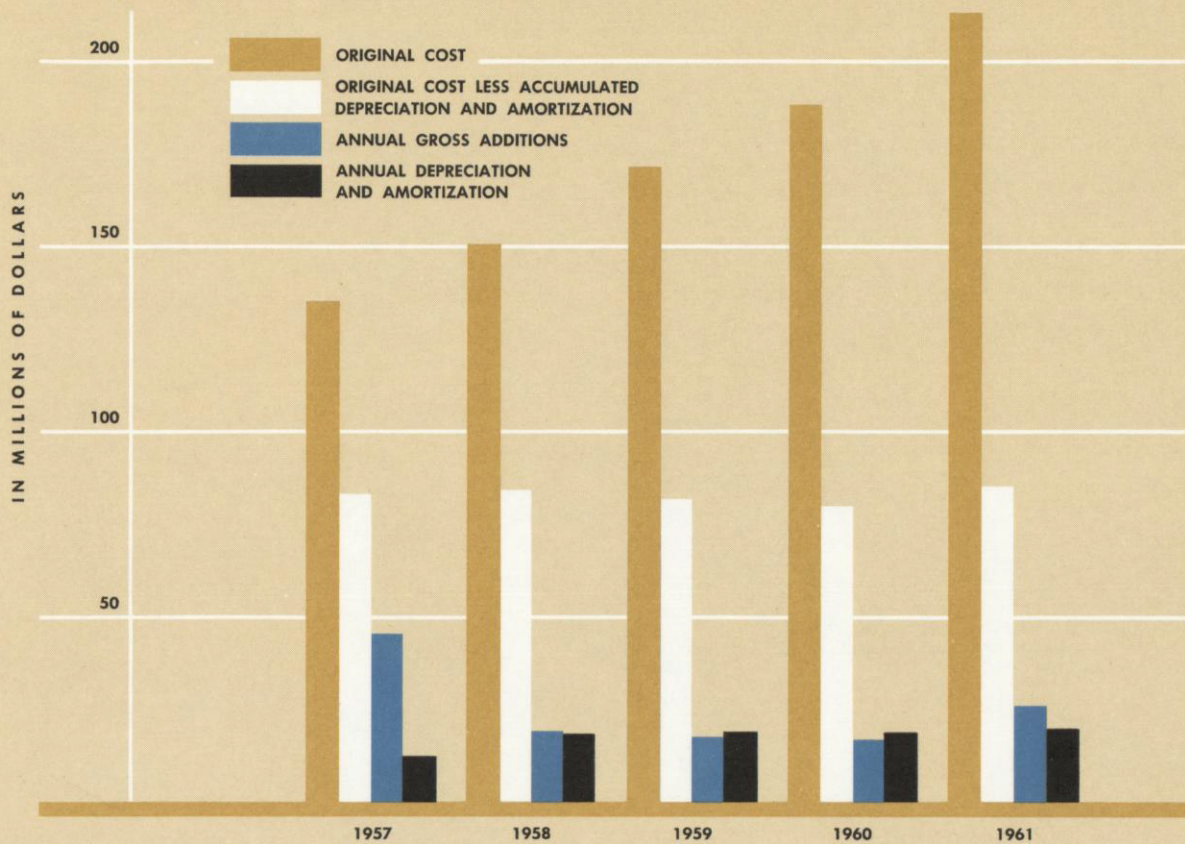
Of the unfilled orders at the end of 1961, orders for jet transports and other orders from commercial customers and foreign governments amounted to \$950,000,000. The remaining \$919,000,000 represents the value of contracts with the United States Government, including letter contracts to the extent funds have been allocated to such contracts.

Certain military contracts involving 1962 fiscal year budgeted funds are currently under negotiation. Definitization of these contracts will increase unfilled orders by approximately \$400,000,000. The preceding amounts do not include allocations of funds provided in the 1963 fiscal year budget of the United States Government for products and services produced by the company. Further, no attempt has been made to estimate sales to the government in years subsequent to 1963 although the company anticipates that certain current programs will continue to be major sources of revenue well into the mid-1960's.

Dividends Paid—\$13,549,000

Improved earnings permitted an increase in 1961 in the quarterly dividend rate from \$.40 to \$.50 per share. The increased dividend was effective in the fourth quarter of the year bringing total dividends to \$1.70 per share. In view of the heavy demands for funds for investment in facilities and new programs foreseen for the coming years, your management continues to believe it desirable to maintain a conservative policy with respect to the percentage of earnings retained for reinvestment in the company's operations.

Company Investment in Property, Plant, and Equipment



Federal Income Tax

The Internal Revenue Service has reviewed and agreed to all Federal Income Tax returns of the company through the year 1957, with the exception of certain claims for refunds which are still pending, including a petition filed with the United States Court of Claims. Such claims have not been recorded in the accounts. It is believed that the income tax liability stated on the balance sheet is adequate for the years 1958 through 1961.


Renegotiation

In January, 1962, a judge of the Tax Court announced a finding that the company's profits in 1952 were unreasonable to the extent of \$13,000,000. This amount exceeds by \$3,000,000 the earlier finding of the Renegotiation Board. Taking into account the refund previously made and the credit for Federal income taxes previously paid, an additional provision of \$900,000 will be required if the finding is sustained. It is the

company's belief that the ruling was inconsistent with the objectives of Congress with respect to renegotiation. Accordingly the company filed a motion for review by the entire Tax Court of the one-judge finding. This motion was denied, but it was treated by the Court as a motion for revision of the finding and referred back to the trial judge for disposition. The parties have been given an opportunity to file briefs regarding the motion, which is still under consideration.

The company is currently evaluating the implications of the decision as related to other years' cases now pending before the Tax Court.

We have not been advised as to the final determination of the Renegotiation Board with respect to the company's renegotiable earnings for 1958. We believe that earnings recorded for that year and for the years 1959, 1960, and 1961, were not excessive. Consequently, no provisions have been made for renegotiation refunds for those years.



Missiles and Space

Boeing's 1961 missile and space activities were highlighted by selection of the company by NASA to design and construct the Saturn S-1C boosters which will first be used in connection with circumlunar flights. Minuteman missile test base installation and production programs spread to seven additional states, and Dyna-Soar plans were changed to permit earlier orbital operations of this space vehicle.

For the Minuteman program, 1961 was a year of very rapid expansion. The flight test program began in February with a completely successful, full-stage flight from a surface launching pad at Cape Canaveral, Florida. By the end of the year the program had progressed through three successful flights from underground silos—the hardened and dispersed type of launching shelter which will be used for the missiles.

Meanwhile work continued on installation sites in Montana, and the Air Force announced selection of additional sites in North and South Dakota, and Missouri. At each base, 150 missiles are to be deployed, along with 15 underground launch centers to control them. For Boeing, the installations at these sites means the establishment of a complex organization and logistics system extending, in effect, its assembly lines into all four states.

For the airborne portion of the missile system, the final assembly line starts at Ogden, Utah, where the company is prepared to operate an Air Force plant. There, components of the airborne system, excepting the warhead, will be accumulated from their various manufacturers and prepared for operation. Transportation to the missile operational bases will be by air or rail, and by a highway transporter-erector to the dispersed silos.

The on-site assembly and check-out of the ground support equipment which will assure the

Minuteman in 1961 established new reliability standards in series of successful firings—even as bases were being readied for operational use

weapon's operational effectiveness is equally complex and important. Much of this equipment, including critical electronic components, is manufactured in Seattle; some, by other contractors. Boeing has the responsibility to integrate the missile and all its supporting equipment into an instantly responsive system—a task which demands major design and test effort. It must monitor construction of underground silos and communication systems from their inception. The logistical problem of transporting materials, men, and technical data in the proper sequence and at the proper pace to the sites—an assembly line already more than a thousand miles long, and growing longer—is illustrative of the complexity of the over-all task. At the year end, Boeing had several hundred employees in Montana and was increasing its force toward an expected maximum of 1,200. In the other named states, the Boeing work forces still were small, but growing rapidly.

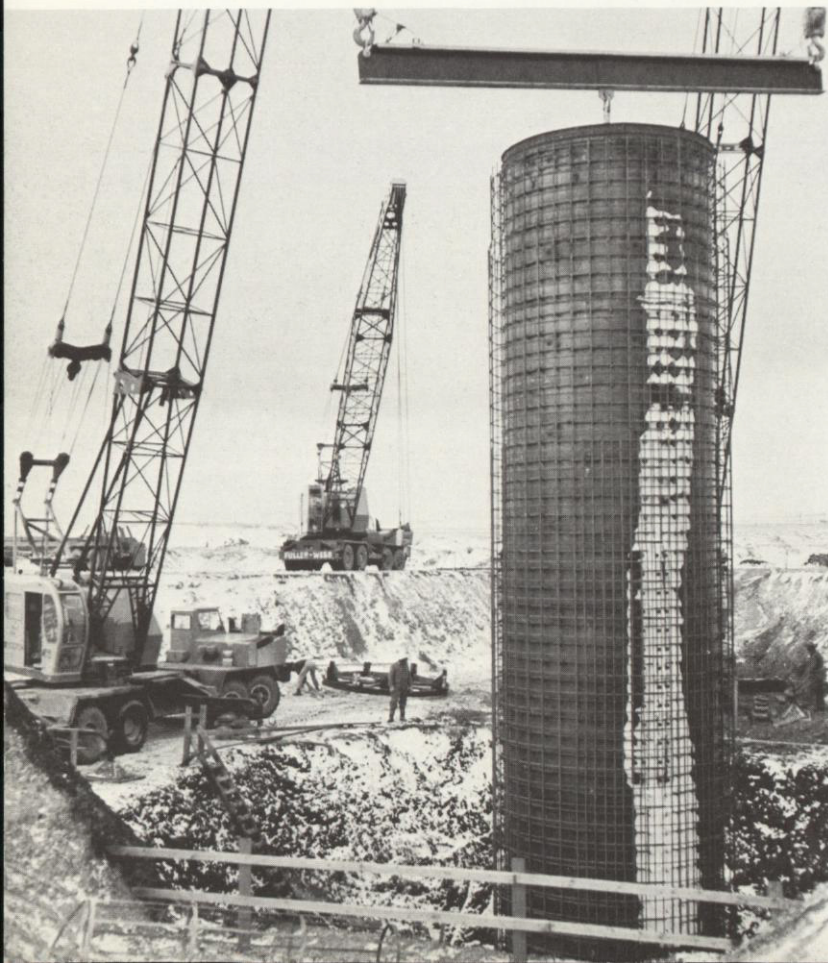
Minuteman funding by the Department of Defense during the fiscal year to end in June, 1962, was slightly in excess of a billion dollars, and was allocated among the various contractors in the program. It has been reported that funds for the Minuteman program in the 1963 fiscal budget will be increased materially over previous allocations. It is anticipated that a significant portion of the funds will be allocated to work for which Boeing is responsible.

In December, research and development on a mobile Minuteman program, under which operational Minuteman missiles would have been deployed on special railroad trains, was cancelled in favor of obtaining a greater number of missiles for the hardened and dispersed base system.

The Saturn project of the National Aeronautics and Space Administration provides for the largest space booster system under development in the United States. The booster will be capable of sending several tons into earth orbit, or into deep space, and is expected to be used in connection with Apollo spacecraft.

The Boeing assignment is to include design, manufacture and testing of the first stage, with production to be carried out at the Michoud

In Montana, silos for Minuteman were built in heat and bitter cold, while three other states prepared to receive the same ICBM missiles



Ordnance Plant near New Orleans. The company immediately made preparations to begin work at Michoud and at the NASA Marshall Space Flight Center at Huntsville, Alabama. Several thousand employees will be required in the Southeastern U. S., including a nucleus of more than 1,000 to be transferred from Seattle and Wichita operations.

The Saturn project is the first major assignment for the company from NASA, as well as its first in large booster design and manufacture.

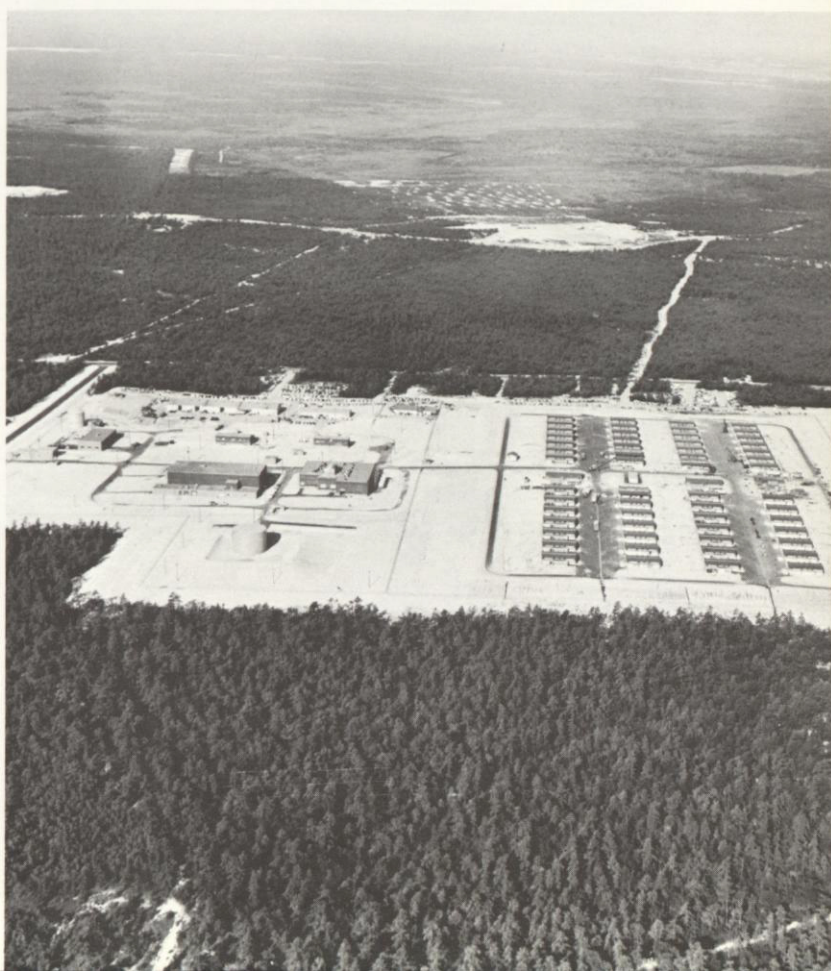
Earlier earth orbit of the Dyna-Soar space glider was made probable by a late 1961 Air Force decision to substitute a larger booster for the Titan II originally designated as the Dyna-Soar power source. The new plan contemplates a combination of liquid and solid-fuel engines which could put the Dyna-Soar into orbit without the preliminary step of sub-orbital flights. For Boeing, as a system contractor, the decision was welcome, giving the company a firm program to which to adapt its vehicle. Slight changes in glider design were made necessary, but there will be no important delay in the program. A September inspection by the Air Force and the National Aeronautics and Space Agency, which assists Dyna-Soar planning, verified current designs for the vehicle.

The Dyna-Soar program is funded in the 1962 fiscal year defense budget for a total of \$100,000,000. It has also been reported that total funding of \$115 million is requested for the Dyna-Soar program in 1963. Currently Boeing has approximately 2,400 employees assigned to Dyna-Soar.

Deliveries of Bomarc bases and missiles to the Air Force continued during 1961 at a substantial rate. Without new orders, the company faces a gradual phase-out of the production program during 1962. The reputation of the missile as accurate and reliable was further confirmed during 1961 by a succession of successful test firings. Interceptions of supersonic targets were scored at altitudes up to 100,000 feet and 400-mile distances. Missile production continued on schedule during the year, and delivery of bases to the Air Force has been on time or ahead of schedule.



New Jersey's Maguire Air Force Base, like other Bomarc sites, kept interceptor missiles at the ready





Military Aircraft

Boeing's intention to continue in the field of military aircraft design and production was emphasized in 1961 by the formation of the Military Aircraft Systems Division. The new organization combines laboratory and developmental facilities in the Seattle area with the outstanding

manufacturing capabilities at Wichita and engineering talent and facilities at both locations.

The Wichita operation unveiled the eighth model of the B-52 intercontinental jet bomber, designated the B-52H, at a public showing in January, 1961, and delivered the first of the series in May. This eight-jet bomber, designed to carry four hypersonic Skybolt nuclear ballistic missiles, in addition to a normal bomb load, is being equipped with supersonic Hound Dog missiles until the Skybolts are available. In all, four Strategic Air Command operational units received B-52H equipment during the year.

World attention was focused on the B-52H when, in January of this year, one of these aircraft set 11 official speed and distance world records in a nonstop, nonrefueled flight from Okinawa to Madrid, Spain—a distance of 12,519 miles in 21 hours 52 minutes.

In October, the U. S. Department of Defense reaffirmed its decision not to order more B-52 production after present contracts. These contracts will be completed in late 1962, by



Tanks full of fuel, KC-135 tankers by the hundreds now serve their B-52 friends, extending the range of the big bombers to all the world

which time six SAC units will have the newest heavy bombers.

Wichita employment remained relatively stable at approximately 21,000 persons. Somewhat more than a thousand of these employees were at various SAC bases, mainly in connection with field modification programs. Wichita also had approximately 2,000 employees assigned to more complicated B-52 modifications at the factory. Under present contracts, modifications will continue into 1964. A contract for production of retrofit kits for earlier models of the B-52 was awarded by the Air Force during 1961.

The new organization, while continuing to perform its B-52H production contracts on schedule, also concentrated efforts on the competition for a tactical fighter airplane initiated by the U. S. Air Force both for its own and Navy use. Late in January the company was informed that Boeing and General Dynamics had been selected as the two finalists in the competition to undertake final detailed studies. Based on evaluation of these studies, a selection will be made

late in April.

In the Transport Division at Renton, Washington, military airplanes became an increasingly important item during the year, as production of KC-135 tanker-transport continued at a steady pace and the first C-135 troop transports were put into service by the Military Air Transport Service. The first C-135B (turbo-fan) flew late in 1961. Combined production rate for the military planes was seven per month at year end.

By January 1, 1962, 494 of the KC-135s on order by the Air Force had been delivered along with 14 of the 45 C-135 models on order. The Department of Defense is reportedly requesting additional KC-135s, including reconnaissance versions.

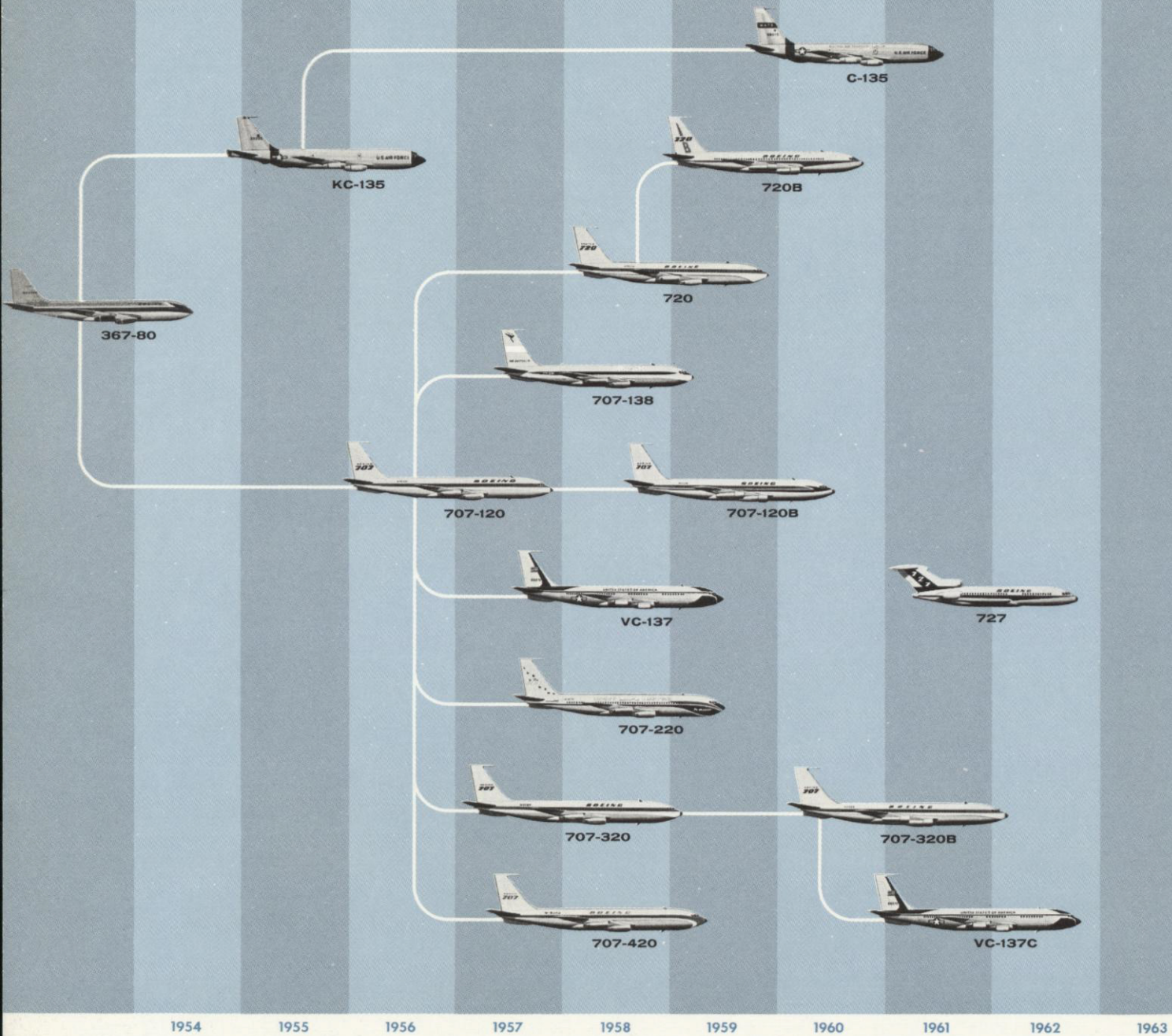
During the year, the division was awarded a contract for a special 707-320B (designated the VC-137 by the military), the very long range Intercontinental, for the Air Force, which will use it in the special services squadron providing transportation for the executive department of the government.



Okinawa to Spain non-stop without refueling was the record set by this B-52, shown landing at conclusion of flight which set or broke a dozen world marks



Jet Transport Family



Commercial Aircraft

Boeing received orders for 111 commercial jet transports during 1961. The sales and production records set during the year kept Boeing well in front of all competitors in the commercial jet transport field.

Sales included three large orders: a 26-plane order for 707-320B and 707-120B models by Trans-World Airlines; a 25-plane order from American Airlines for the new 727 short-to-medium range jet; and a 12-plane 727 order from Deutsche Lufthansa. The two 727 orders brought total sales for that aircraft to 117. Five new customers for Boeing jets—Northwest Orient Airlines, Pacific Northern Airlines, Pakistan International Airlines, Saudi Arabian Airlines, and Cunard-Eagle Airways—were added.

In addition to these new customers, repeat orders were placed by: Sabena, Western, Air France, Air India, El Al, Continental, Trans-World, Braniff, American and Lufthansa airlines, and the U.S. Government.

Total value of new orders, including parts and spares, exceeded \$500,000,000, making 1961 second in dollar order volume only to 1960 in the period since jet sales began in 1955. By January 1, 1962, total commercial sales had reached 454 aircraft to 27 customers (including the U. S. government). Two hundred and fifty-five planes had been delivered to 22 airlines, the Military Air Transport Service and FAA.

Simultaneous production of varying models proceeded at an average of seven to eight planes per month.

Production programs on the 727 model were mostly on or close to schedule at year end, when jig-loading, mock-up work, a \$30,000,000 test program and extensive subcontracting all were well under way. The programs include the building of two complete airframes solely for structural testing. Systematic torture of these two air-



The Intercontinental jet airliner acquired new speed and longer range with turbo-fan engines; here, 707-320B makes its first flight

Medium-segment air routes acquired jet airliner comforts and speed as Boeing 720s went into service in both the U. S. and in Europe





The 727, taking shape in Renton factory, aroused world interest even before its first flight, scheduled late this year

frames to the point of destruction will begin in November, 1962. The first four production 727s will be assigned to flight tests which are to be conducted simultaneously with the structural checkouts. First flight of the 727 is scheduled for late 1962.

Boeing is faced with very strong competition both from British and French firms with governmental backing. This is especially important in the short-to-medium range field where French and English aircraft are directly competitive with the 727.

Military Air Transport Service Boeing VC-137s carried government officials on missions throughout the world



Model 107 helicopter, shown with United Nations building, was ordered by U. S. Marine Corps and foreign buyers

Helicopters

The Vertol Division, in Pennsylvania, increased both military and civilian helicopter sales during 1961 and prepared to expand manufacturing facilities. Licensing agreements in Japan and the United Kingdom were entered into.

Production of the two current helicopters, the Model 107 and the HC-1B Chinook, proceeded on parallel assembly lines. The Chinook, a military twin-turbine helicopter capable of carrying 33 troops or 24 patients on litters, plus a three-man crew, made its first flight in September. By year's end, the Army had ordered 52 Chinooks and eight had been factory-completed.

The production Model 107, which made its first flight in May, made both civilian and military gains. The Royal Canadian Air Force ordered six; the Royal Swedish Navy, two; and the Swedish Air Force, two. The Kawasaki Aircraft Company became licensee to manufacture and sell 107s in Japan.

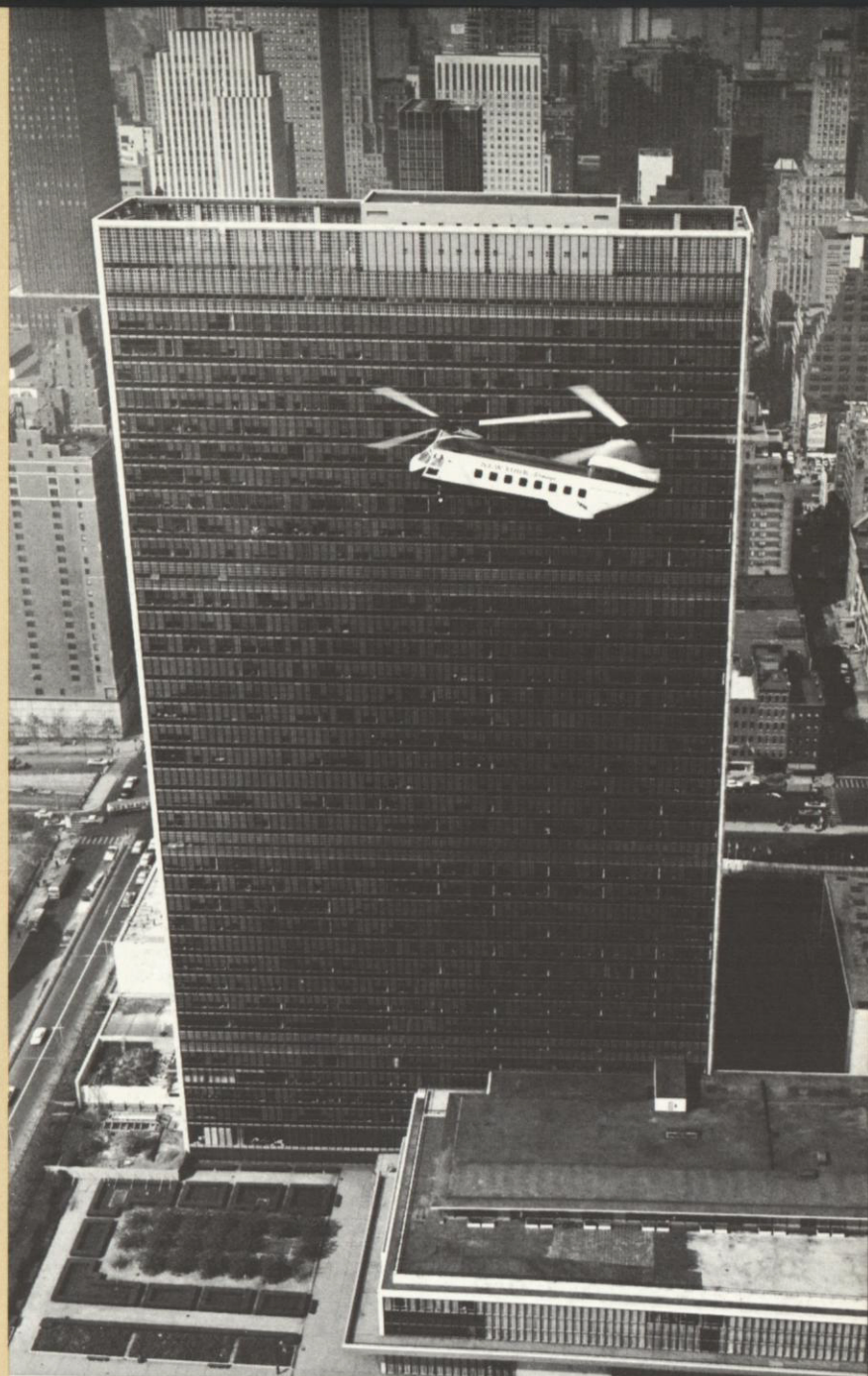
In addition, Vertol signed an agreement with Westland Aircraft, Ltd., to provide service for the 107 in Great Britain, and which will permit the manufacture and sale of the helicopter there and in certain other countries.

Potentially even more important, the 107 early in the year was announced as winner of the competition for a U. S. Marine Corps assault transport helicopter. This special military version is designated as the HRB-1 Sea Knight. The Department of Defense has not yet made public announcement of the size of the initial order resulting from the competition.

Two other competitions—for a Marine heavy transport helicopter and for an Air Force machine in the 107 class (capable of lifting 6,800 pounds for a 115-mile trip)—were imminent at year end, and Vertol expected to enter both.

In January of this year the 107 received the Federal Aviation Agency certificate approving it for passenger operations.

Further study and development of the Vertol



76, a tilt-wing aircraft which flies like an airplane and can take off, land, and hover like a helicopter, were assured by a contract awarded by the Army.

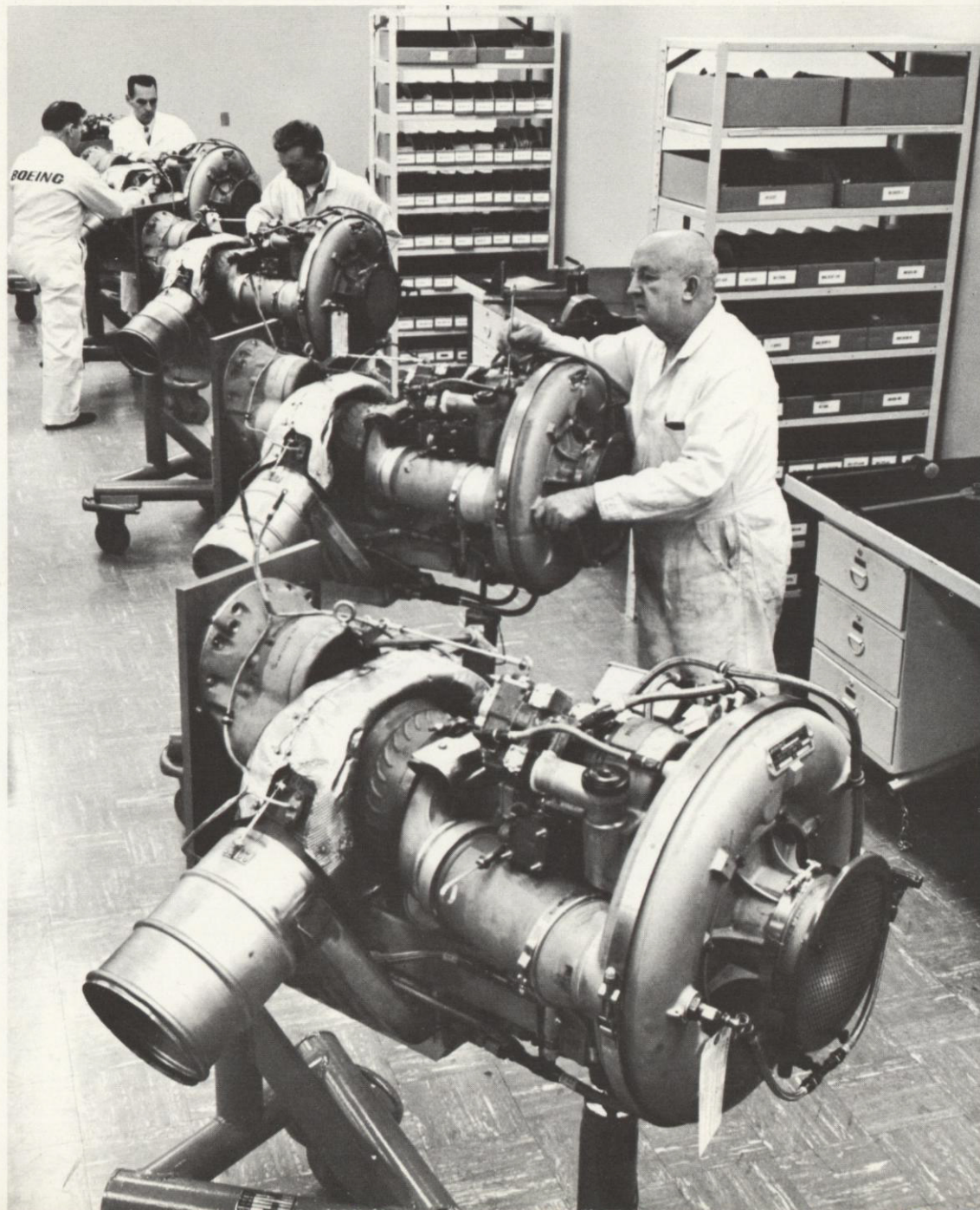
Construction of a 347,000-square foot new plant in the Philadelphia area began late in the year. Included are factory areas for construction of helicopter rotor blades, an office building and a service building. These will permit consolidation of various activities now quartered in leased facilities outside the present Morton plant.



Other Programs



Boeing gas turbine engines
powered Navy drone helicopter
and turbo-starters for jets
at most major airports



Over-shadowed by missile, large booster, and airplane activities, other Boeing programs nevertheless advanced appreciably during the year, offering possibilities for future business.

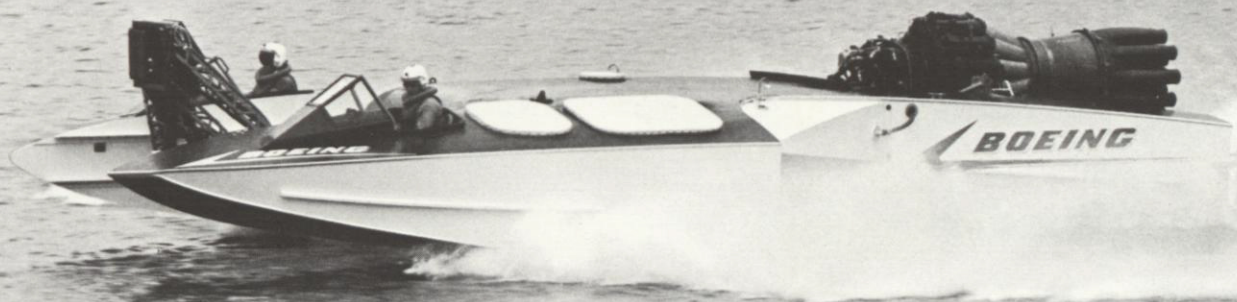
The Industrial Products Division decided to direct a substantial portion of its energies into the development and production of gas turbines for helicopters, as the most promising immediate market for the Boeing-designed engines. Production began on a 270-horsepower engine which has received a 150-hour qualification rating from the U. S. Armed Forces. This engine is for the Navy's DASH (Drone anti-submarine helicopter) program which utilizes drone helicopters to be flown in anti-submarine missions from Naval destroyers. Orders for more than 100 engines for the program have already been received and substantial additional orders are anticipated. Concerted development began on 330, 375, and 550 horsepower turbines for other helicopters.

The division also introduced a new model of its Turbo-Starter ground support unit for jet aircraft during the year and delivered its 250th

Turbo-Starter unit. An Army tug equipped with Boeing turbine-driven pumps went into service as a 4,000 gallon-per-minute fire boat. This dual purpose craft can tow at full speed with its main engines while pumping at maximum capacity with its turbo-pump packages.

At the beginning of 1962, the division was testing a natural gas-fueled turbine designed to generate electricity and utilize its exhaust gases in heating and industrial drying applications.

An Advanced Marine Vehicle organization was established within the Aero-Space Division to coordinate Boeing activities in the marine market. Entering two Navy hydrofoil competitions, the unit won one of them, securing a contract for a 15-ton experimental sea-going test bed for development of supercavitating hydrofoil designs. In 1960, the company had won a Navy competition for a prototype, 110-foot hydrofoil experimental sub-chaser. This vessel is to be launched in 1962. The group also has other classified Navy work.



Studying hydrofoil shapes, Boeing employs a jet-powered hydroplane on Seattle's Lake Washington



Research

Research and development, from the company's earliest days, have been the foundation on which Boeing's pioneering achievements have been built. Boeing research in 1961 continued to demonstrate the company's capability for successful investigation into advanced fields related to man's conquest of the air and space, both in broad areas of basic research and in advanced product technology.

The Boeing Scientific Research Laboratories, organized in 1958 to perform original and fundamental research in the physical sciences, functions in areas of basic scientific discoveries that also can be applied to products on a current and future basis. It provides a reserve of special knowledge and skills, available to engineering organizations of the company on a consulting basis. It has established a close working relationship with the scientific community for the appreciation and timely utilization of scientific advances throughout the world. Expansion of the laboratories' staff of experts continued in the fields of flight sciences, geo-astronautics, solid state physics, mathematics and plasma physics.

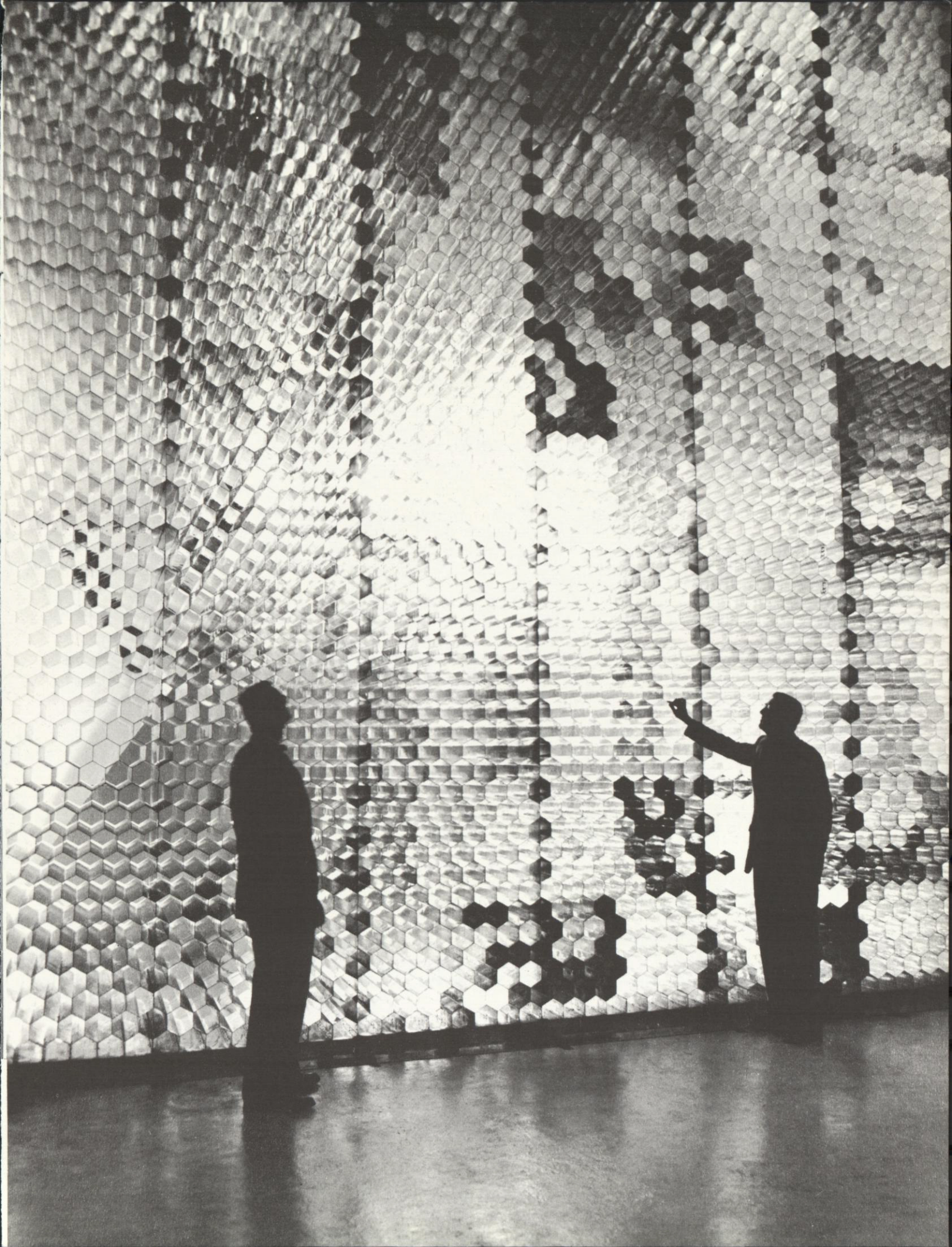
Within the company's operating divisions, research and development laboratories provide parallel skills and facilities for the concept of advanced designs and development and testing of the resulting systems. A majority of divisional laboratories provide test and research services to other divisions, either on a continuous or demand basis. This assures efficient utilization, as well as a capability in depth that can be directed in any degree to the support of product development.

Divisional laboratory activities cover a broad spectrum of applied research ranging through aerodynamics, propulsion, materials and processes, metals, structures, electronics, manufacturing, dynamics, mechanical equipment, reliability, acoustics, bioastronautics, flight test, applied physics and standards.

Knowledge gained in these diverse fields was applied to numerous studies during the year including supersonic transports, supersonic military aircraft, short takeoff and landing military aircraft, missiles, large rocket boosters and space craft.

In addition this wealth of scientific research helped prove and make better the current products of the company. It provided a solid base for proposals submitted on various military projects. It constitutes an ever-increasing background of experience and knowledge for application to the problems of tomorrow.

To obtain extreme accuracy in wind tunnel testing, a honeycomb of aluminum hexagons clears air of its stubborn turbulence





○ The Boeing Spacearium—simulating a trip through outer space—will be a feature of the U. S. science exhibit at the Seattle World's Fair

Looking to the Future

While we have reported a generally good year during 1961, it is advisable to express a degree of caution for the future. Substantial risks are involved in our business and it should be recognized that we are faced with hazards, many beyond our control.

The possibility of sudden changes in military planning stemming from changing international political forces and technological breakthroughs is a persistent element in the business environment of the aerospace industry. Further, competition for aerospace business continues strong. Many companies previously identified with diverse activities have acquired capabilities for performance of aerospace business.

Of major importance in our commercial operations are the severe financial pressures that confront the airline industry. The profitability of the airlines must improve if, over a period of years, we are to realize the full potential of the market for our jet transports.

Still another factor with respect to our commercial program is foreign competition which is becoming much more intense. Certain foreign companies have developed competence in our fields, and are in active competition with us. These companies are government-owned or government-supported, and operate at wage levels substantially below ours.

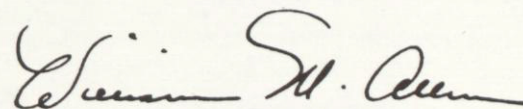
To meet competition and other hazards of our business, both military and commercial, the

company has capabilities and resources of considerable strength. The company's basic and applied research programs are directed toward keeping abreast of many facets of the rapidly advancing technology of the aerospace age. Facilities are modern and adaptable to research and developmental activities and to production of a multiple product line—aircraft, missiles, boosters, and space craft.

Successful performance of current programs demands of Boeing the ability to plan, integrate, and manage a complex array of engineering, manufacturing, installation, and administrative tasks. The advanced technologies involved are in most cases abreast of or are advancing the state of the art in their respective fields. This has required the use of the existing technical, scientific, and physical resources of the company and, simultaneously, has developed within the company the capability of performing even more difficult future assignments in aircraft, missile, and space system fields.

Finally, the company's most valuable asset is the people of Boeing. It is our belief that our employees have a competence and a dedication without parallel in the industry.

With full realization of increased competition, and the hazards of the business we are in, countered by the economic strength of the company, and the abilities of its people, we anticipate that 1962 also will be a year of achievement.



President

February 23, 1962

FIVE YEAR COMPARATIVE FINANCIAL DATA

FINANCIAL POSITION, as of December 31		1961
Current assets	\$	442,710,000
Current liabilities		263,357,000
Working capital		179,353,000
Long-term notes receivable		25,280,000
Leased aircraft		31,946,000
Property, plant, and equipment, net		86,183,000
Deferred charges		1,264,000
Total		324,026,000
Less long-term debt		64,638,000
Net assets	\$	259,388,000
Represented by stockholders' investment in:		
Capital stock		126,843,000
Retained earnings		132,545,000
Total	\$	259,388,000
Stockholders' equity per share		32.49
Ratio of current assets to current liabilities		1.68 to 1
SALES, EARNINGS, AND DIVIDENDS		
Sales	\$1,800,910,000	
Earnings before taxes on income	73,861,000	
Taxes on income	38,200,000	
Net earnings	35,661,000	
Cash dividends paid	13,549,000	
Net earnings per share	\$4.47	
Cash dividends paid per share	1.70	
Income taxes per share	4.79	
Per cent earnings before taxes on income to sales	4.10%	
Per cent taxes on income to sales	2.12%	
Per cent net earnings to sales	1.98%	
GENERAL INFORMATION		
Backlog	\$1,869,000,000	
Number of authorized shares of common stock	10,000,000	
Number of shares outstanding at year end	7,982,430	
Average number of employees	88,200	
Total wages and salaries	628,713,000	
Gross additions to property, plant, and equipment	26,770,000	
Depreciation and amortization of plant and equipment	20,636,000	
Amortization in excess of normal depreciation	4,400,000	
Square feet of floor area:		
Government owned	11,826,000	
Boeing owned	7,214,000	
Leased	1,924,000	

NOTE—all per share data adjusted to reflect stock dividends and stock splits

1960	1959	1958	1957
\$ 429,755,000	\$ 526,452,000	\$ 540,702,000	\$ 428,230,000
229,685,000	321,652,000	342,879,000	325,244,000
<u>200,070,000</u>	<u>204,800,000</u>	<u>197,823,000</u>	<u>102,986,000</u>
16,816,000	2,460,000
7,973,000
80,776,000	82,731,000	84,956,000	84,193,000
1,903,000	2,114,000	1,755,000
<u>307,538,000</u>	<u>292,105,000</u>	<u>284,534,000</u>	<u>187,179,000</u>
70,545,000	70,545,000	70,547,000
<u>\$ 236,993,000</u>	<u>\$ 221,560,000</u>	<u>\$ 213,987,000</u>	<u>\$ 187,179,000</u>

126,561,000	126,533,000	119,936,000	100,312,000
110,432,000	95,027,000	94,051,000	86,867,000
<u>\$ 236,993,000</u>	<u>\$ 221,560,000</u>	<u>\$ 213,987,000</u>	<u>\$ 187,179,000</u>

29.73	27.80	27.04	24.02
1.87 to 1	1.64 to 1	1.58 to 1	1.32 to 1

\$1,554,573,000	\$1,648,803,000	\$1,751,935,000	\$1,673,740,000
51,762,000	26,427,000	63,442,000	80,795,000
27,300,000	13,684,000	33,230,000	41,010,000
24,462,000	12,743,000	30,212,000	39,785,000
9,053,000	7,361,000	7,017,000	6,681,000

\$3.07	\$1.60	\$3.82	\$5.10
1.14	0.92	0.89	0.86
3.42	1.72	4.20	5.26

3.33%	1.60%	3.62%	4.83%
1.76%	0.83%	1.90%	2.45%
1.57%	0.77%	1.72%	2.38%

\$2,139,000,000	\$2,018,000,000	\$2,470,000,000	\$2,482,000,000
10,000,000	10,000,000	10,000,000	10,000,000
7,971,647	7,970,640	7,768,735	7,351,195
81,900	92,500	95,400	99,200
556,060,000	579,247,000	565,822,000	536,641,000
17,414,000	18,089,000	19,532,000	45,609,000
19,387,000	19,469,000	19,096,000	12,896,000
4,575,000	4,516,000	4,975,000	3,793,000

11,422,000	11,725,000	11,702,000	11,270,000
6,621,000	6,448,000	6,133,000	5,994,000
1,710,000	1,765,000	2,177,000	2,320,000

BALANCE

ASSETS

CURRENT ASSETS

Cash		\$ 37,644,000
Short-term marketable securities, at cost		11,536,000
Amounts receivable under United States Government contracts		171,581,000
Other accounts and notes receivable		22,552,000
Inventories		196,143,000
Prepaid expenses		<u>3,254,000</u>
Total Current Assets		\$442,710,000

LONG-TERM NOTES RECEIVABLE

25,280,000

LEASED AIRCRAFT

31,946,000

PROPERTY, PLANT, AND EQUIPMENT, at cost

\$213,616,000

Less accumulated depreciation and amortization

127,433,000

86,183,000

DEFERRED CHARGES

1,264,000

\$587,383,000

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES

Accounts payable and accrued expenses		\$229,951,000
Allowance for 1954 and 1955 renegotiation, net of taxes		7,768,000
Federal taxes on income, less \$2,955,000 of U. S. Tax Anticipation Bills		<u>25,638,000</u>
Total Current Liabilities		\$263,357,000

LONG-TERM DEBT		64,638,000
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STOCKHOLDERS' INVESTMENT

Capital stock, par value \$5 a share—		
Authorized, 10,000,000 shares		
Issued and outstanding, 7,982,430 shares at stated value . . .	\$126,843,000	
Retained earnings	<u>132,545,000</u>	<u>259,388,000</u>
		<u><u>\$587,383,000</u></u>

STATEMENT OF NET EARNINGS

YEAR ENDED DECEMBER 31, 1961

Sales		\$1,800,910,000
Other income		<u>3,011,000</u>
		\$1,803,921,000
Costs and expenses	\$1,726,121,000	
Interest and debt expense	3,939,000	
Federal taxes on income	<u>38,200,000</u>	<u>1,768,260,000</u>
NET EARNINGS		<u>\$ 35,661,000</u>
Depreciation and amortization of plant and equipment	<u>\$20,636,000</u>	

STATEMENT OF STOCKHOLDERS' INVESTMENT

YEAR ENDED DECEMBER 31, 1961

	Shares	Capital stock Amount	Retained earnings
Balance at January 1, 1961	7,971,647	\$126,561,000	\$110,433,000
Net earnings			35,661,000
Shares sold to officers and employees under stock option plans	10,633	274,000	
Shares issued in exchange for Convertible Subordinated Debentures	150	8,000	
Cash dividends paid, \$1.70 a share			<u>(13,549,000)</u>
Balance at December 31, 1961	<u>7,982,430</u>	<u>\$126,843,000</u>	<u>\$132,545,000</u>

NOTES TO FINANCIAL STATEMENTS

INVENTORIES:

Inventories are composed of:

Fixed-price type contracts in process	\$482,356,000
Commercial spare parts	21,121,000
General stock materials	9,009,000
	<u>\$512,486,000</u>
Less advances and progress payments	316,343,000
	<u>\$196,143,000</u>

Military fixed-price incentive type contracts in process are stated at the total of direct costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of the contracts. Work in process on straight fixed-price contracts (principally commercial programs) is stated in the same manner, except that applicable research, developmental, administrative, and other general expenses are charged directly to earnings as incurred.

To the extent that estimated costs of units scheduled for production, determined in the above manner, are expected to be greater than total sales price, the portion of such excess related to work in process is currently charged to earnings. The resultant inventory is stated at estimated proportionate sales value.

Commercial spare parts and general stock materials are stated at average cost, not in excess of realizable value.

RENEGOTIATION: The Renegotiation Board has unilaterally determined that the company realized excessive profits for the years 1952 through 1955 and has issued clearances for the years 1956 and 1957. Appeals have been taken to the Tax Court of the United States for the years 1952 through 1955. In January, 1962, a judge of the Tax Court announced findings that for the year 1952 the company's profits were excessive in the amount of \$13,000,000 which would require a refund after taxes of \$900,000 more than was required under the determination of the Renegotiation Board for that year. Although all refunds determined to be payable by the Renegotiation Board have been paid or provided for in the accounts, this policy was not extended to include the additional amount determined to be payable for 1952, pending the outcome of the motion for revision of the judge's findings. (See page 8.)

The company cannot predict the effect of the judge's decision on the appeals for the years 1953 through 1955, nor what the Board's action will be for the years 1958 through 1961. In view of these uncertainties and the belief of the company that no excessive profits were realized, no provision has been

made for renegotiation refunds other than those presently determined by the Board.

LONG-TERM DEBT AND RESTRICTIONS ON RETAINED EARNINGS:

5% Sinking Fund Debentures, less \$5,899,000 reacquired debentures in treasury	\$34,101,000
4½% Convertible Subordinated Debentures	30,537,000
	<u>\$64,638,000</u>

Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are \$2,700,000 annually beginning in 1964. Reacquired debentures may be applied against requirements.

The 4½% Convertible Subordinated Debentures, due in 1980, are convertible at two shares for each \$100 principal amount. Of the company's unissued capital stock, 610,750 shares are reserved for conversion of the debentures. The annual sinking fund requirements beginning in 1968 amount to \$1,750,000 less credits for previously converted debentures.

The indentures under which the debentures were issued place various restrictions on the use of retained earnings for the payment of cash dividends or acquisition of the company's capital stock or subordinated indebtedness. At December 31, 1961, the maximum amount of retained earnings restricted under these indentures was \$39,890,000.

RETIREMENT PLAN: Under the company's non-contributory retirement plan, a charge of \$17,974,000 has been made in the accounts for the year 1961, of which \$16,328,000 represents current service and \$1,646,000 is applicable to past service. At December 31, 1961, the past service liability not recognized in the accounts was estimated at \$7,650,000.

STOCK OPTIONS AND INCENTIVE

COMPENSATION: At December 31, 1961, options for 115,965 shares of the company's stock, at prices ranging from \$21.88 to \$47.92, were outstanding of which 26,670 shares were exercisable. During 1961, 10,633 shares were issued upon exercise of options at prices ranging from \$21.88 to \$32.66 and no additional options were granted and none were cancelled.

An additional 107,717 shares are available for future grants under the restricted stock option plan.

Incentive compensation provided for the year 1961 was \$4,000,000.

ACCOUNTANTS' REPORT

TOUCHE, ROSS, BAILEY & SMART
CERTIFIED PUBLIC ACCOUNTANTS

610 WASHINGTON BUILDING
SEATTLE 1, WASHINGTON

OFFICERS

Board of Directors
The Boeing Company
Seattle, Washington

February 23, 1962

We have examined the accompanying balance sheet of The Boeing Company as of December 31, 1961 and the related statements of net earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the uncertainties as to required renegotiation refunds (see note), the financial statements referred to above present fairly the financial position of The Boeing Company at December 31, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on February 23, 1962, in setting aside the sum of \$4,000,000 for the year 1961 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

Touche, Ross, Bailey & Smart

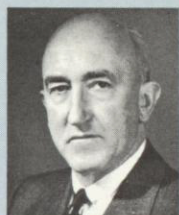
Certified Public Accountants

GENERAL COUNSEL	HOLMAN, MICKELWAIT, MARION, BLACK & PERKINS
GENERAL AUDITORS	TOUCHE, ROSS, BAILEY & SMART
TRANSFER AGENT	FIRST NATIONAL CITY TRUST COMPANY, NEW YORK CITY
REGISTRAR	FIRST NATIONAL CITY BANK, NEW YORK CITY

THE **BOEING** COMPANY

GENERAL OFFICES - 7755 EAST MARGINAL WAY - SEATTLE 24, WASHINGTON

and DIRECTORS



WILLIAM M. ALLEN
President, Director



C. L. EGTVEDT
Chairman, Director



WELLWOOD E. BEALL
Senior Vice President,
Director



DON R. BERLIN
Vice President - General
Manager, Vertol
Division



W. L. CAMPBELL
Director, President,
General America Corp.,
Seattle



J. B. CONNELLY
Vice President - Asst.
General Manager,
Transport Division



DARRAH CORBET
Director Emeritus.
Chairman, Smith
Cannery Machines Co.,
Seattle



D. J. EULER
Vice President -
General Manager,
Industrial Products
Division



D. A. FORWARD
Director, Retired Vice
Chairman, First
National City Bank,
New York



THORALF E. GAMLEM
Vice President - Asst.
General Manager,
Transport Division



ARTEMUS L. GATES
Director, Consultant,
New York



C. B. GRACEY
Vice President -
Manufacturing



H. W. HAYNES
Vice President -
Finance



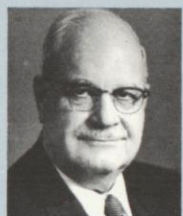
ROBERT H. JEWETT
Vice President - Asst.
General Manager,
Aero-Space Division



V. F. KNUTZEN
Controller



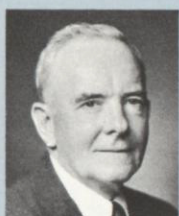
FRED P. LAUDAN
Vice President,
Director Emeritus



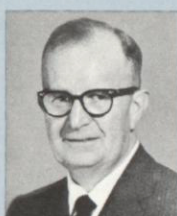
A. F. LOGAN
Vice President - Labor
Relations



GEORGE C. MARTIN
Vice President - General
Manager, Seattle
Branch, Military
Aircraft Systems Div.



J. P. MURRAY
Vice President



EVAN M. NELSEN
Treasurer



J. E. PRINCE
Vice President -
Administration,
Secretary, Director



WILLIAM G. REED
Director, Chairman,
Simpson Timber
Company, Seattle



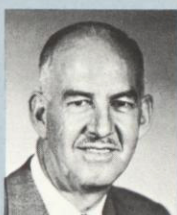
J. E. SCHAEFER
Retired Vice Chairman,
Director Emeritus



GEORGE SCHAIRER
Vice President -
Research and
Development



DIETRICH SCHMITZ
Director, Chairman,
Washington Mutual
Savings Bank, Seattle



N. D. SHOWALTER
Vice President -
International Operations



D. E. SKINNER
Director, President,
Skinner Corporation,
Seattle



EDWARD C. WELLS
Vice President - General
Manager, Military
Aircraft Systems
Division, Director




GEORGE H.
WEYERHAEUSER
Director, Executive
Vice President,
Weyerhaeuser Company,
Tacoma



LYSLE A. WOOD
Vice President - General
Manager, Aero-Space
Division



J. O. YEASTING
Vice President - General
Manager, Transport
Division, Director



DIRECTORS EMERITUS

Three members of the Board of Directors retired in late 1961 and early 1962 under the Board's retirement policy. In their long period of service all three have contributed immeasurably to the growth and success of the company. In recognition of that service they were individually elected to the honorary title of Director Emeritus. The retired board members are:

J. E. Schaefer. Associated with the aviation industry since 1928, he served as Vice President and General Manager of the Wichita operation from 1938 to 1957 when he was elected Vice Chairman of the company. He retired as Vice Chairman and a Director in December, 1961.

Fred P. Laudan. Formerly Vice President-Manufacturing of the company, served as a Director from 1935 until January, 1962. He will continue as a Vice President of the company serving in an advisory capacity to the Vice President-Manufacturing and to carry out special headquarters assignments.

Darrah Corbet. Chairman of the Smith Cannery Machines Company, has served continuously as a Director since 1939. He, too, retired from the Board in January, 1962.

